

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION

In the Matter of:

Cabot Oil & Gas Corporation	:	Clean Streams Law, the
Dimock and Springville Townships	:	Oil and Gas Act, and the
Susquehanna County	:	Solid Waste Management Act

**SECOND MODIFICATION TO CONSENT ORDER AND AGREEMENT
DATED NOVEMBER 4, 2009**

This Second Modification to the November 4, 2009 Consent Order and Agreement ("Second Modification") is entered into this 19th day of July 2010, by and between the Commonwealth of Pennsylvania, Department of Environmental Protection ("Department") and Cabot Oil & Gas Corporation ("Cabot").

Findings

The Department has found and determined the following:

A. The Department is the agency with the duty and authority to administer and enforce The Clean Streams Law, Act of June 22, 1937, P.L. 1987, *as amended*, 35 P.S. §§691.1-691.1001 ("Clean Streams Law"); the Oil and Gas Act, Act of December 19, 1984, P.L. 1140, *as amended*, 58 P.S. §§601.101-601.605 ("Oil and Gas Act"); the Solid Waste Management Act, Act of July 7, 1980, P.L. 380, *as amended*, 35 P.S. §§6018.101-6018.1003 ("Solid Waste Management Act"); Section 1917-A of the Administrative Code of 1929, Act of April 9, 1929, P.L. 177, *as amended*, 71 P.S. §§510-17 ("Administrative Code"); and the rules and regulations promulgated thereunder ("Regulations").

B. Cabot is incorporated in Delaware and registered to do business in Pennsylvania, and is engaged in various oil and gas exploration and production activities in Pennsylvania, including in

Dimock and Springville Townships, Susquehanna County. Cabot's mailing address in Pennsylvania is 5 Penn Center West, Suite 401, Pittsburgh, Pennsylvania 15276.

November 4, 2009, Consent Order and Agreement

C. On November 4, 2009, the Department and Cabot entered into a Consent Order and Agreement ("2009 Agreement") in settlement of violations regarding: excessive pressure/improper or insufficient cementing (casings) on certain Cabot Wells; pollution of private water supplies within an area defined as follows: the area bounded on the South of 41 degrees 45 minutes latitude; East of -75 degrees 54 minutes 11 seconds longitude; North of 41 degrees 42 minutes 14 seconds latitude; and West of -75 degrees 50 minutes 48 seconds longitude in Dimock and Springville Townships, Susquehanna County, Pennsylvania ("Affected Area"); discharge of natural gas into ground water in the Affected Area; discharge of industrial waste/and or residual waste onto the ground and/or into the waters of the Commonwealth; failure to submit well records; and failure to maintain a Driller's Log. The 2009 Agreement is maintained as a public document by the Department at its Northwest Regional Office in Meadville, Pennsylvania, and is incorporated herein in full.

April 15, 2010 Modification to the 2009 Agreement

D. On April 15, 2010, the Department and Cabot entered into a Modification to the November 4, 2009 Consent Order and Agreement ("First Modification") in resolution of Cabot's failure to comply with all of its obligations under the 2009 Agreement. The First Modification is maintained as a public document by the Department at its Northwest Regional Office in Meadville, Pennsylvania, and is incorporated herein in full. The 2009 Agreement as modified by the First Modification is hereinafter referred to as the "Modified 2009 Agreement."

E. The Modified 2009 Agreement identified the following 14 Cabot Wells that the Department had determined as having insufficient/improper casing and/or cementing and/or overpressure, and are causing and/or have the potential to cause the unpermitted discharge of natural

gas into the groundwater in the Affected Area: Baker No. 1; Ely No. 4; Ely No. 5H; Ely No. 7H; Teel No. 5; Brooks No. 1H; Gesford No. 2; Gesford No. 3; Gesford No. 9; Hubbard No. 5H; Ratzell No. 1H; Ratzell No. 2H; Teel No. 7; and the R Smith No. 4 Wells (collectively the "Defective Wells).

F. Among other things, the Modified 2009 Agreement required Cabot to plug three of the Defective Wells, specifically the Gesford No. 3, Gesford No. 9, and the Baker No. 1. Additionally, the Modified 2009 Agreement required Cabot to complete any and all actions necessary at the Ely No. 4 to bring it into compliance with the Oil and Gas Act.

G. On June 21, 2010, the Department determined that Cabot had completed the plugging of the Gesford No. 3, Gesford No. 9, and Baker No. 1, and had successfully brought the Ely No. 4 into compliance with the Oil and Gas Act as required by the Modified 2009 Agreement.

H. Paragraph 4.m. of the Modified 2009 Agreement also required Cabot to permanently restore and/or replace the Affected Water Supplies by completing the installation of whole house treatment systems for the Affected Water Supplies within 30 days.

I. Shortly after signing the First Modification, the Department became aware that several of the residents with Affected Water Supplies were not in favor of using a whole house treatment system as a permanent resolution to their impacted water supplies.

J. On May 4, 2010, the Department met with several residents of Dimock Township, including those with Affected Water Supplies, to discuss their concerns over the whole house treatment systems.

K. Due to the dissatisfaction expressed by residents with Affected Water Supplies over the whole house treatment systems, Cabot requested an extension of the 30 day time-frame set forth in Paragraph 4.m. of the Modified 2009 Agreement to address the residents concerns.

L. On May 12, 2010, the Department sent Cabot a letter indicating that the Department would delay enforcement of Cabot's obligation to permanently restore and/or replace the Affected Water Supplies under the Modified 2009 Agreement until July 15, 2010.

M. On May 17, 2010, several residents of Dimock Township, Susquehanna County, including 11 residents with Affected Water Supplies, appealed the First Modification to the Environmental Hearing Board and the appeal was docketed as EHB Docket No. 2010-064. EHB Docket No. 2010-064 has since been consolidated with another appeal by the residents of Dimock Township that is docketed as EHB Docket No. 2010-065 and the consolidated appeals are referenced as EHB Docket No. 2010-064.

N. In resolution of Cabot's inability to install whole-house treatment systems in each of the 14 Affected Water Supplies due to residents' concerns with the whole house treatment systems, the Department has agreed to modify the Modified 2009 Agreement pursuant to Paragraph 17 of the Modified 2009 Agreement and as identified herein. Cabot agrees to comply with all of its obligations under the Modified 2009 Agreement as amended by this Second Modification.

Order

After full and complete negotiation of all matters set forth in this Second Modification, and upon mutual exchange of the covenants contained herein, the Parties desiring to avoid litigation and intending to be legally bound, it is hereby ORDERED by the Department and AGREED to by Cabot as follows:

1. *Authority.* This Second Modification is an Order of the Department and is authorized and issued pursuant to Section 5 of the Clean Streams Law, 35 P.S. §691.5; Section 503 of the Oil and Gas Act, 58 P.S. §601.503; Section 602 of the Solid Waste Management Act, 35 P.S. §6018.602; and Section 1917-A of the Administrative Code.

2. *Findings.*

a. Cabot agrees that the additional Findings in Paragraphs A through N, above, are true and correct and, in any matter or proceeding involving Cabot and the Department, Cabot shall not challenge the accuracy or validity of these Findings.

b. The Parties do not authorize any other persons to use the Findings in the Modified 2009 Agreement, the First Modification, and this Second Modification in any matter or proceeding.

3. *Paragraph 3.d.2) of the Modified 2009 Agreement.* Paragraph 3.d.2) of the Modified 2009 Agreement shall be modified in its entirety and shall be replaced with the following language in quotation marks below:

3. *Compliance, No Appeal, and Cease New Drilling/Hydro-Fracturing.*

d. As of the date of this Modification, Cabot has submitted to the Department applications for permits to drill four additional gas wells within the Affected Area and 25 additional gas wells outside the Affected Area.

"2) Regarding any current or future applications from Cabot for permits to drill additional gas wells outside the Affected Area, the Department will review and act upon such applications in accordance with the Oil and Gas Act so long as Cabot continues to provide temporary water and gas mitigation devices in accordance with Paragraph 4.h., below."

4. *Paragraph 4.h. of the Modified 2009 Agreement.* Paragraph 4.h. of the Modified 2009 Agreement shall be modified in its entirety and shall be replaced with the following:

4. *Corrective Actions.*

"h. Until Cabot has permanently restored all of the Affected Water Supplies in accordance with Paragraph 4.m., below, Cabot shall continue to provide and maintain temporary potable water and/or gas mitigation devices for all of the Affected Water Supplies."

5. *Paragraph 4.m. of the Modified 2009 Agreement.* Paragraph 4.m. of the Modified 2009 Agreement shall be modified in its entirety and shall be replaced with the following:

4. *Corrective Actions.*

"m. Within 60 days of this Second Modification, Cabot shall permanently restore and/or replace all of the Affected Water Supplies in accordance with Section 208 of the Oil and Gas Act, 58 P.S. §601.208, and 25 Pa. Code §78.51."

6. *Paragraph 16 of the Modified 2009 Agreement.* Paragraph 16 of the Modified 2009 Agreement shall be modified in its entirety and shall be replaced with the following:

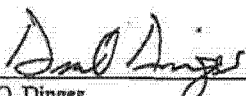
"16. *Attorney Fees.* The Parties shall bear their respective attorney fees, expenses, and other costs in the prosecution or defense of this matter or any related matters, arising prior to execution of this Consent Order and Agreement. Cabot shall pay any attorneys fees or litigation cost awarded against the Department regarding the consolidated appeal docketed at EHB No. 2010-064."

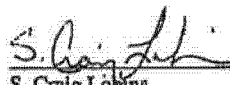
7. *Remainder of Modified 2009 Agreement in Force and Effect.* Except for the modifications to Paragraphs 3.d.2), 4.h., 4.m., and 16 of the 2009 Modified Agreement, as expressly stated herein, the Findings and all other terms and conditions of the 2009 Agreement and the First Modification shall remain in full force and effect between the Parties.


IN WITNESS WHEREOF, the Parties have caused this Second Modification to be executed by their duly authorized representative. The undersigned representative of Cabot certifies under penalty of law, as provided by 18 Pa.C.S.A. §4904, that he is authorized to execute this Second Modification on behalf of Cabot, that Cabot consents to the entry of this Second Modification as a final ORDER of the Department, and that Cabot hereby knowingly waives its right to appeal this Second Modification and to challenge its content or validity, which rights may be available under Section 4 of the Environmental Hearing Board Act, the Act of July 13, 1988, P.L. 530, No. 1988-94, 35 P.S. §7514; the Administrative Agency Law, 2 Pa.C.S.A. §103(a) and Chapters 5A and 7A; or


any other provision of law. Signature by Cabot's attorney certifies only that this Second Modification has been signed after consulting with counsel.

FOR CABOT OIL & GAS CORPORATION: FOR THE COMMONWEALTH OF
PENNSYLVANIA, DEPARTMENT OF
ENVIRONMENTAL PROTECTION:


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